

# AREA & BOUNDARY COVERAGE



**The Area and Boundary Amendment, commonly referred to as the Survey Deletion, to the Owner Policy of Title provides coverage to the buyer for errors on a survey.**

## **HERE'S WHY:**

Schedule B of the title commitment sets forth exceptions to coverage. All exceptions that are listed are items that will not be covered by the title policy. One of the exceptions listed on Schedule B is Schedule B, Item #2 which excludes coverage for: **“Any discrepancies, conflicts or shortages in area or boundary lines, and any encroachments, protrusions, or overlapping of improvements.”**

**What does this mean for the buyer?** The exception excludes coverage for any of the following items that exist at closing:

- Surveyor errors in locating improvements or the boundary lines of a property;
- Homeowner’s Association claiming an improvement is built over a building line and demanding the removal of the improvement;
- A utility company requiring removal of improvements located within an easement;
- Fence Lines not following the actual boundary lines of the property;
- An adjoining landowner claiming a buyer’s improvements encroach into their property;
- A buyer claiming an adjoining landowner’s improvements encroach into their property

**Doesn't the survey take care of boundary issues?** Relying on surveys to address boundary issues does not always work. Often, buyers want to use the seller’s existing survey for a new transaction. However, this practice puts both the buyer and the agent at risk in the event the survey proves to be inaccurate. Because the survey was issued to a prior owner, the new property owner cannot turn to the surveyor for recourse. Unfortunately, not only prior surveys bear risk. Even a new survey may have errors or be challenged by a third-party claim.

## **WHAT DOES AN OWNER RECEIVE WITH THE AREA AND BOUNDARY AMENDMENT?**

The Amendment coverage insures the boundaries of the property and loss to the owner due to boundary conflicts or loss due to encroaching improvements that are NOT shown on the survey. Obtaining the coverage also provides the insured with a defense in the event a neighbor alleges an encroachment in litigation, regardless of whether or not one exists.

The optional Area and Boundary Amendment coverage deletes **“Any discrepancies, conflicts or shortages in area or boundary lines, and any encroachments, protrusions, or overlapping of improvements”** from the general exception. The phrase “shortages in area” remains in the general exception because the Texas Department of Insurance prohibits title companies from insuring exact acreage.

### **DOWNTOWN**

Indeed Tower

200 W 6th St | Ste 1600

Austin, TX 78701 | 512.505.5000

### **ROLLINGWOOD**

Rollingwood Center

2500 Bee Caves Rd | Bldg 1, Ste 100

Austin, TX 78746 | 512.329.3900

### **HERITAGE HIGHER**

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2500 Bee Caves Rd | Bldg 3, Ste 110

Austin, TX 78746 | 512.329.3900



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## HOW DOES A BUYER ASK FOR THE AMENDMENT?

Check the box in Paragraph 6A (8) of the contract:

(8) The standard printed exception as to discrepancies, conflicts, shortages in area or boundary lines, encroachments or protrusions, or overlapping improvements:  (i) will not be amended or deleted from the title policy; or  (ii) will be amended to read, "shortages in area" at the expense of  Buyer  Seller.

## WHAT IS THE COST FOR THE AMENDMENT?

The cost for an amendment, often referred to as survey deletion coverage, depends on the type of policy being issued. On a residential policy the cost of Area and Boundary Coverage is 5% of the basic premium rate (15% for non-residential). Here are examples\*:

The basic premium for a home with a \$500,000 sales price is \$2940.00. Under this scenario, the buyer would pay \$147.00 to add this coverage to their title policy.

The basic premium for a home with a \$1,000,000 sales price is \$5,575.00. Under this scenario, the buyer would pay \$278.75 to add this coverage to their title policy.

## WHAT DOES THE TITLE COMPANY NEED TO AMEND THE EXCEPTION?

We must be presented with a survey prior to closing. If we are using an existing survey we also must receive a Residential Real Property Survey Affidavit ("T-47") that describes any improvements that have been made to the property. We must also collect the premium for Survey Deletion at closing.



Please contact your escrow team for more information and estimated costs. For your convenience, our residential calculators are located on our website: [heritagetitleofaustin.com](http://heritagetitleofaustin.com).

*\*Texas Title Premiums are promulgated by the Texas Department of Insurance.*

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